

Message Text

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ACTION EB-11

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 8423

UNCLAS MEXICO 7720

E.O. 11652: N/A

TAGS: EIND, ETRD, MX

SUBJ: MEXICAN CY 1974 FERROUS SCRAP REQUIREMENTS

REF: STATE 183681, MEXICO 7459

1. INFORMATION REQUESTED STATE REFTEL AS FOLLOWS:

A. STEEL PRODUCTION ESTIMATES PROVIDED YESTERDAY BY THE LEADING SCRAP IMPORTER FORECAST 4.2 MILLION METRIC TONS FOR 1972, 4.8 MILLION FOR 1973, 5.4 MILLION FOR 1974, 6.0 MILLION FOR 1975, BETWEEN 8 AND 10 MILLION ANNUALLY FOR PERIOD 1976-1980. CAMARA NACIONAL DEL HIERRO Y DEL ACERO PROVIDED MEXICAN STEEL CONSUMPTION FIGURES TOTALLING BETWEEN 5.13 AND 5.26 MILLION METRIC TONS FOR 1974. EMBASSY MAILING CONSUMPTION BREAKDOWN BY STEEL CATEGORIES FOR YEARS 1973-1980. ESTIMATES BY QUARTERS NOT AVAILABLE.

B. CAMARA ESTIMATES 1974 MEXICAN SCRAP IMPORTS WILL AVERAGE 100,000 METRIC TONS PER MONTHS, WITH APPROXIMATELY 1.1 MILLION METRIC TONS OF 1974 IMPORTS CONSISTING OF STEEL SCRAP. (CAMARA HAS RAISED FIRST HALF 1974 STEEL SCRAP ESTIMATE TO 600,000 METRIC TONS VS. 540,000 FIGURE MENTIONED MEXICO REFTEL.) IN ADDITION, CAMARA ESTIMATES MEXICO WILL NEED APPROXIMATELY UNCLASSIFIED

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193,000 METRIC TONS CONSISTING OF IRON SCRAP (I.E. CAST IRON).

CAMARA ALSO ESTIMATES THE THIRD CATEGORY OF RAILS AND EXLES IMPORTS (REROLLING MATERIALS) AT ABOUT 200,000 METRIC TONS FOR 1974. HOWEVER, SCRAP IMPORTER MENTIONED SOMEWHAT SMALLER PROJECTIONS, VIZ. 1974 STEEL SCRAP IMPORTS AT ABOUT 1 MILLION METRIC TONS, IRON SCRAP AROUND 100,000 METRIC TONS, AND REROLLING MATERIAL ALSO 100,000 METRIC TONS. COMMERCE REQUESTED PROTECT IMPORTER AS SOURCE OF PROJECTIONS.

C. SCRAP IMPORTER EXPLAINED BUYING PATTERNS DEPEND ON TYPE OF STEEL PRODUCER RATHER THAN SEASONAL DIFFERENCES. LARGE INTEGRATED PLANTS SUCH AS HYLSA (LARGEST TOTAL IMPORTER), AHMSA, FUNDIDORA DE MONTERREY AND TAMSA PLAN PURCHASES 5-6 MONTHS AHEAD, WHEREAS SMALLER FAMILY-RUN SEMI-INTEGRATED PLANTS, FOUNDRIES, AND ROLLING MILLS BUY AS NEEDS ARISE, USUALLY MONTHLY, AND MORE LIKELY TO BE CAUGHT SHORT BY LICENSE RESTRICTIONS. WHILE 10 O/O OF THE INTEGRATED PLANTS' PRODUCTION PROCESSES ARE DEPENDENT ON SCRAP AND REROLLING MATERIALS, SEMI-INTEGRATED PLANTS ARE 50 O/O DEPENDENT, FOUNDRIES 75 O/O, AND ROLLING MILLS 100 O/O DEPENDENT. CAMARA AND IMPORTER NOTED WASHINGTON MEETING SET END OF OCTOBER TO DISCUSS 1974 MEXICAN BUYING PATTERN TO BE ATTENDED BY DR. SAENZ OF MEXICAN EMBASSY AND STATE/COMMERCE.

D. EXPORT OF SCRAP FROM MEXICO SUPERVISED BY 33-MEMBER SPECIALIZED COMMISSION IN INDUSTRY AND COMMERCE SECRETARIAT WHO REVIEW ALL EXPORT APPLICATIONS WITH VIEW TO NEEDS OF DOMESTIC INDUSTRY.

2. THROUGHOUT EMBOFF'S DISCUSSIONS MEXICANS REPEATED THEIR CONCERN THAT THE DIFFERENCE BE RESOLVED BETWEEN U.S. QUOTA COMPUTATIONS IN SHORT TONS AND THE MEXICAN AGREEMENT BELIEVING THE AMOUNT TO BE IN METRIC TONS. TONNAGE DIFFERENCE EQUALS APPROXIMATELY 10 O/O AND MAY CAUSE ADDITIONAL SHORTAGES AND CLOSE-DOWNS FOR MEXICAN PLANTS, ESPECIALLY SMALLER FIRMS, IF NOT SOON RESOLVED.

3. BOTH SOURCES PROVIDED DETAILED CHARTS AND STATISTICS TO EMBOFF WHICH ARE BEING FORWARDED EN TOTO TO DEPARTMENT UNDER COVER OF AIRGRAM.
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